

CPASK

# Focus FIRMS

The Institute of Chartered Professional Accountants  
of Saskatchewan Firm Newsletter | Special Edition



August 2018

 **CPA**  
SASKATCHEWAN



# Focus on FIRMS

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of Saskatchewan Firm Newsletter | Special Edition

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## Disclaimer

The content within this newsletter is provided for informational purposes and is not an official interpretation of any applicable rules or standards.

# CPA SASKATCHEWAN FORUM 2018



CPA Saskatchewan and Felesky Flynn LLP invite you to the second annual CPA Saskatchewan Forum, to be held on October 11 and 12 in Saskatoon, at the Delta Hotels by Marriott Bessborough. This is a prime opportunity to earn additional CPD hours while networking with colleagues and subject matter experts.



The two-day event kicks off on October 11 with a Dinner and Keynote presentation by Dr. Jack Mintz, the President's Fellow of the School of Public Policy at the University of Calgary, Board member at Imperial Oil Limited and Morneau Shepell, and the National Policy Advisor for Ernst & Young.

On October 12, explore relevant issues with technical sessions led by tax and accounting experts.

## Registration Fees (Fees do not include GST)

Please register online at [cpask.ca](http://cpask.ca) before October 1, 2018. Registration fee includes complimentary ticket for Dinner and Keynote Address on Thursday, October 11: Members \$400 and Non-Members \$500.

Dinner and Keynote Address Only, Thursday, October 11: \$100 for Members and Non-members.

## Hotel Accommodation in Saskatoon

A number of rooms have been reserved at the Delta Hotels by Marriott Bessborough, for the nights of October 11 and 12. Participants are responsible for their own room and parking. Book your hotel room online, by September 10, with the link:

[Book your group rate for CPA Saskatchewan Forum](#)

## DID YOU KNOW?

- CPA SK will work with you to schedule in-house offerings of CPA SK PD courses.
- The Fall/Winter PD Calendar will be available on August 30, 2018.
- The 2018 Update on TOSI and Passive Income was offered in Estevan, Swift Current and Yorkton in May and June 2018 and judging by the attendance at each of the sessions, the course offerings were a success. CPA SK is planning to continue offering PD sessions outside of Regina and Saskatoon in May and June 2019 and is interested in your input on potential courses and locations.
- Nationally, CPA has courses that cover GST/HST. CPA SK and the other provincial bodies are seeking members that would be interested in and have the knowledge to author course content on PST in Saskatchewan and potentially other PST provinces and that would highlight the differences between PST and GST/HST.
- CPA SK would like to hear your ideas for courses that have not been recently offered in our PD Calendar.

Connect with Shelley Lukasewich at 306-337-2841 or by [email](#) on any of the topics above.

# RULES UPDATE FOR LICENSED MEMBERS AT FIRMS

Licensed members and firms completed their licence renewal last December 2017. This article is a refresher on current licensing rules and highlights recent changes to be aware of for our upcoming renewal this December 2018.

## CHANGE FROM CONDITIONAL TO SPECIFIED

The title “conditional licence” is now “specified licence.” The purpose of this change is to minimize confusion among members and the public between the type of licence and possible conditions on a licence. The name reflects that a member has chosen to practice in a specific area in the practice of professional accounting.

## CHANGE IN ELIGIBLE HOURS FOR A SPECIFIED LICENCE

The requirements for eligible hours on renewal for specified licenses have changed to align with practical experience requirements for CPA candidates. The following table summarizes the change in rules:

Licence Type	Previous	Current
Comprehensive licence	1,250 hours in the practice of professional accounting in the last 5 years, with a minimum of 625 of those hours in audits (applicable on initial application and renewal).	1,250 hours in the practice of professional accounting in the last 5 years, with a minimum of 625 of those hours in audits (applicable on initial application and renewal).
Specified licence	Initial – 1,250 hours in the practice of professional accounting in the last 5 years.	Initial – 1,250 hours in the practice of professional accounting in the last 5 years.
	Renewal – 500 hours in the practice of professional accounting in the last 7 years.	Renewal – 625 hours in the practice of professional accounting in the last 5 years.

## CHANGE IN PD CYCLE

Many courses, conferences, webinars and various options are available to obtain PD hours. Licensed members indicated the need for flexibility to plan out PD relating to professional accounting over a longer period than one year. Therefore, minimum PD requirements were updated to the following:

Licence Type	Previous (applies to both initial and renewal applications)	Current (applies to both initial and renewal applications)
Comprehensive licence	20 hours relating to professional accounting in the last year.	50 hours relating to the practice of professional accounting in the last 3 years.
Specified licence	10 hours relating to professional accounting in the last year.	25 hours relating to the practice of professional accounting in the last 3 years.

All other rules relating to licensing remain unchanged, including the requirement to meet the education and experience requirements in assurance (on initial applications) and to obtain a competency assessment reference from another licensed member (required on initial applications; optional on renewal) and a self-assessment of competency.

If you have any questions on licensing or require more information, please contact us at [licensing@cpask.ca](mailto:licensing@cpask.ca).



# WHAT ARE LICENSING ELIGIBLE HOURS?

As a licensed member, you shall accumulate practical experience hours in your assurance work throughout the year and may wonder what you can and cannot report in your licence renewal.

An eligible hour is defined in Rule 300.1(g). “*Eligible hours* means the time accumulated by a member in providing professional accounting services and includes hours reported as continuing professional development relevant to the practice of professional accounting.” Eligible hours are also referred to as practical experience hours.

A licensed member must have participated in a recognized capacity in practicing professional accounting for the hours to be considered eligible. The member must have held one or more of the following positions when providing the professional accounting services:

- Directly participating in a professional accounting engagement, including any related subsidiary engagement, as a member of the engagement team;
- A position in which the member is responsible for the direct management, supervision or oversight of the

leadership of the engagement team that is significantly more than administrative in nature;

- Providing consultation regarding the application of accounting and/or assurance standards, consultation or opinions regarding taxation provisions or other technical or industry-specific issues, or consultation regarding other transactions or events;
- Providing quality control reviews; or
- A position having responsibility for the entire professional accounting engagement of a firm or practicing office.

Eligible hours are not only hours chargeable to a client, they also include all hours accumulated by the member for work they completed (i.e. not only engagement hours). Further, unverifiable PD may be claimed as eligible hours. Eligible hours must be tracked and documented by the member and reported on the licence application. Every member claiming eligible hours for licensing application purposes may be required to provide supporting documentation for verification at the time of their application or during the next practice inspection of the firm.

## ON-DEMAND VIDEO SERIES

# THE MATERIALITY OF MILLENNIALS

Much has been written and discussed about the needs and motivations of the Millennial generation in the workplace. There are consultants who have built entire practices upon the uniqueness of this generation, who maintain that motivating this group requires entirely new management techniques. There are others who debunk the “Millennial myth” entirely, saying that every generation in its twenties has specific characteristics, and this cohort of 20-somethings is no different.

Those born in the ‘80s and ‘90s have been shaped by forces that no generation before has experienced, and many of those influencing factors are quite foreign to their baby boomer leaders. Technology, social media, globalism, changing

family structures and the smaller size of this generation have all combined to create a group of workers who, if they are understood, will bring positive and much-needed change to professional services firms. How do small to medium-sized firms unlock that potential?

CPA Canada is offering an on-demand video course that details the essential skills needed to recruit, construct contractual provisions for, and retain Millennial employees. In terms of employee retention, this valuable series concludes with key insights into how Millennials progress through their careers. Through articles and exercises, each part in the series will provide you with an opportunity to apply the information learned. Cost is \$195+tax, and it is [available online](#).

# WHY A SYSTEM OF QUALITY MATTERS

A system of quality is important for all firms providing various professional services – from a sole practitioner with no staff to a large, multi-national firm. There are three key stakeholders involved when providing services: the client, the public and you as the firm (CPA or group of CPAs). The stakeholder that often receives the least attention is the public – mostly because the public tends to not raise concerns until an event occurs and they lose money unexpectedly. When this happens, they will likely sue the firm for the financial loss and file a complaint with CPA SK. In many cases, these events are caused by a lack of or a poor system of quality.

In addition to the financial losses and complaints indicated above, other unintended consequences may result from a poor system of quality or lack of quality control:

- Negative practice inspection findings or re-inspections
- Loss of professional reputation
- Loss of clients and fees
- Extra costs
- Time spent correcting performance problems and fixing mistakes
- Time spent defending and settling lawsuits
- Professional misconduct charges

## HOW CAN YOU AVOID THIS FROM HAPPENING?

The success or failure of a firm depends on an appropriate and effective system of quality to guide the firm in providing quality services that meet the needs of clients.

Developing a system of quality takes some time and effort, but those efforts pay off. In addition to meeting the public's needs, good quality control procedures also impact other aspects of a professional practice. An appropriate and effective system of quality will lead to:

1. Satisfied clients, which could lead to increased fees through additional services and referrals to friends and business associates to the firm.

2. Doing well in your practice inspection and, if files are properly organized, saving on time, which results in less costs to the firm.
3. Completion of work more efficiently, at a reduced cost, which results in improved profitability of operations.
4. Enhanced professional reputation within the profession and in the business community.

## WHAT ARE SOME WAYS THE FIRM CAN IMPLEMENT OR IMPROVE ITS SYSTEM OF QUALITY?

There are many resources available to firms to help in this area. An appropriate and effective system of quality is very dependent on the unique circumstances of the firm. However, one resource available to all members for FREE is the *Practitioner's Toolkit* available on [knotia.ca](http://knotia.ca).

## QUALITY WORK REQUIRES CONTINUOUS EFFORT

While the firm operates to meet the needs of your clients, it is also in practice to make money. So, although there are costs associated with establishing a system of quality and maintaining those quality control standards, those costs should be more than offset by the benefits of increased fees and reduced costs, which increase profitability.

As the practice grows, you need to continually evaluate and improve your firm's internal control environment. Each year, the firm will be accumulating confidential client records that need to be safely stored. Hiring staff as the firm expands also exposes you to more risks, such as theft or staff error. In addition, the firm will likely acquire more computer equipment and office supplies. Therefore, you need to think about how you will safeguard your assets to protect your business. In addition to these risks, as your business becomes more complex, so too will your own financial management and reporting requirements. You need to consider how you will ensure that the firm's financial information is accurate and reliable.

As a CPA, you are familiar with the concepts of an internal control environment. However, when a practice is growing quickly or experiencing cash flow issues, the importance of a strong internal control environment can be overlooked. The following are some of the principal internal controls that you should consider implementing in your firm<sup>1</sup>:

### 1. Physical controls

Physical controls primarily serve to safeguard firm assets. These controls include such things as locking your offices; restricting access to certain sensitive areas (e.g., your server room or file room); installing security systems and cameras; and using secure cabinets and safes.

### 2. Information technology (IT) controls

IT controls serve to protect your hardware, software and data. These controls include the use of computer passwords, restricted access to certain data, authorization requirements for accessing or changing data, regular data backups, firewalls, and antivirus software.

### 3. Financial information controls

Financial information controls protect the integrity and accuracy of your firm's financial data. These controls include the sequential numbering of cheques; bank and accounts receivable reconciliations; automated controls, such as valid date ranges or dollar value limits; segregation of duties; independent review of postings; validation checks and exception reports; authorization of payments; and approved authority levels. Setting budgets and performing budget to actual comparisons are additional key financial controls that can be implemented.

### 4. Risk management

The concept of risk is not new to practitioners. It has been around as long as the profession has provided services in a commercial setting. However, the issue of risk and risk management has increased in importance as the number and size of legal claims has increased over the years.

Even if you can't completely eliminate most of the risks associated with being a practitioner, you can implement ways to reduce and manage them to an acceptable level.

Risk management has a specific impact on life in an accounting firm. It is important in terms of protecting the assets, finances and operations of the firm and contributing to satisfactory legal compliance, corporate governance and due diligence. Consequently, risk management will protect the reputation, credibility and status of the firm.

Establish a risk management "culture" in the firm that emphasizes the importance of managing risk as part of each staff member's daily activities. The goal of creating a risk management culture is to create a situation where

partners and staff instinctively look for risks and consider their impacts when making effective operational decisions. The essence of a risk management culture is that it is not geographically dependent, or specific to any location. The principles in establishing this culture are universal and relevant to each locality.

### 5. Other processes

File review and report issuing processes, business continuity planning and the key elements of prevention, preparedness, response and recovery are also important when managing risk in the day-to-day operations of the firm. This also includes strategies to deal with the death or incapacity of the practitioner.

Obtaining and reviewing insurance is another way to manage risk within the firm.

## SOME OTHER GENERAL TIPS:

### DON'T GET BEHIND ON PD

CPA SK and CPA Canada offer courses on all the latest and greatest standards. Know your clients and take the right courses to ensure you:

- Understand the standards
- Know how to apply them
- Document your files appropriately with that understanding

### DON'T USE OUT OF DATE MATERIALS

The CPA Canada Handbook changes daily it seems, but that is no excuse for using outdated material to complete a file.

### DON'T CUT WORK WHEN YOU CUT YOUR FEES

Regardless of the fees charged:

- Work needs to be sufficiently and appropriately documented
- Staff work needs to be reviewed
- Lack of staff is not a valid cause for poor file conditions

### DON'T TAKE ON WORK THAT IS TOO COMPLEX FOR YOUR SKILL SET

Our field is increasingly specialized – do not accept or continue with engagements from clients that could increase risk to your firm because the business is too complex.

- Know and accept your limitations.
- Use a specialist if required.

<sup>1</sup> IFAC SMP Guide (<https://www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices>) / CPA Canada Practitioner's Toolkit ([www.knotia.ca](http://www.knotia.ca))

## PRACTITIONER'S TOOLKIT

Looking for guidance on setting up, growing or maintaining your practice to the public?

The Practitioner's Toolkit is FREE and designed to provide practitioners with guidance on matters relating to managing their practice. Practitioners should utilize this Toolkit in coordination with their professional judgment and respective circumstances involved in your situation. Available online through [knotia.ca](http://knotia.ca), the Practitioner's Toolkit has material covering the lifecycle of a firm, such as planning, start-up, growth and succession. Topics covered include: practice management, marketing, risk management, use of technology and budgeting, and so much more.

Access the Practitioner's Toolkit TODAY!

## CEASE AND DESIST PROCESS

*The Accounting Profession Act* reserves services provided to the public in relation to the CPA Canada Handbook (except compilation engagements) to licensed CPAs only.

The reserved area of practice is referred to as the "practice of professional accounting."

Upon receipt of an assurance report referencing Handbook standards signed by a non-licensed member, that member shall be subject to a \$500 penalty for practicing professional accounting without a licence. Accompanying the fine is a Registrar's directive that a member may acknowledge, or the member may begin the licensing application process.

## RESOURCES FOR REVIEW ENGAGEMENTS

CPA Canada has produced the following resources to aid in compliance with CSRE 2400, which is effective for reviews of financial statements for periods ending on or after December 14, 2017:

- **GUIDE – *The Guide to Review Engagements (CSRE 2400)*** is an aid for practitioners to conduct review engagements in compliance with CSRE 2400
- **GUIDE – *The Reporting Implications of CSRE 2400*** is an aid to promote consistency in review engagement reports. Includes examples and explanatory guidance for common reports
- **CLIENT BRIEFING – A tool to help discuss the implications of CSRE 2400 to your clients**
- **ALERT – *Engagements to Review Historical Financial Statements (CSRE 2400)*** is an overview of the new standard
- **ARTICLE – *Anatomy of a 7-Hour Review of Micro-Entities*** by Phil Cowperthwaite

## FIRM GUIDE

CPA Saskatchewan has published a new reference document for firms called the "Firm Guide," which is a tool designed to aid compliance with regulatory matters.

The Guide covers registration and licensing requirements, ongoing firm responsibilities and answers common practice advisory questions.

To request a copy, please email [registrar@cpask.ca](mailto:registrar@cpask.ca)!

# ALWAYS READ THE FINE PRINT IN YOUR INSURANCE POLICY

*Written by Garry Hannaford, FCPA, FCA, in 2010. Originally published in ICAS Horizons in 2012. Updated for unification in 2015.*

Have you ever signed a contract only to find out months later that you didn't get everything that you thought you were getting? This can be the case when you are purchasing professional liability insurance (PLI) for your practice.

In order to protect the public, CPA SK requires that all firms carry PLI with the following minimum coverage:

- \$1,000,000, where one (1) member is engaged or employed in one or both of professional accounting, compilation engagements or taxation services;
- \$1,500,000, where two (2) or three (3) members are engaged or employed in one or both of professional accounting, compilation engagements or taxation services in the same firm; or
- \$2,000,000, where four (4) or more members are engaged or employed in one or both of professional accounting, compilation engagements or taxation services in the same firm.

For firms not engaged in the practice of one or both of professional accounting, compilation engagements or taxation services, the minimum requirement for professional liability insurance is \$250,000 per practice leader.

In the event that a member or firm is found to be at fault, PLI provides funding to pay awards to the party who experience financial loss (i.e. injured party).

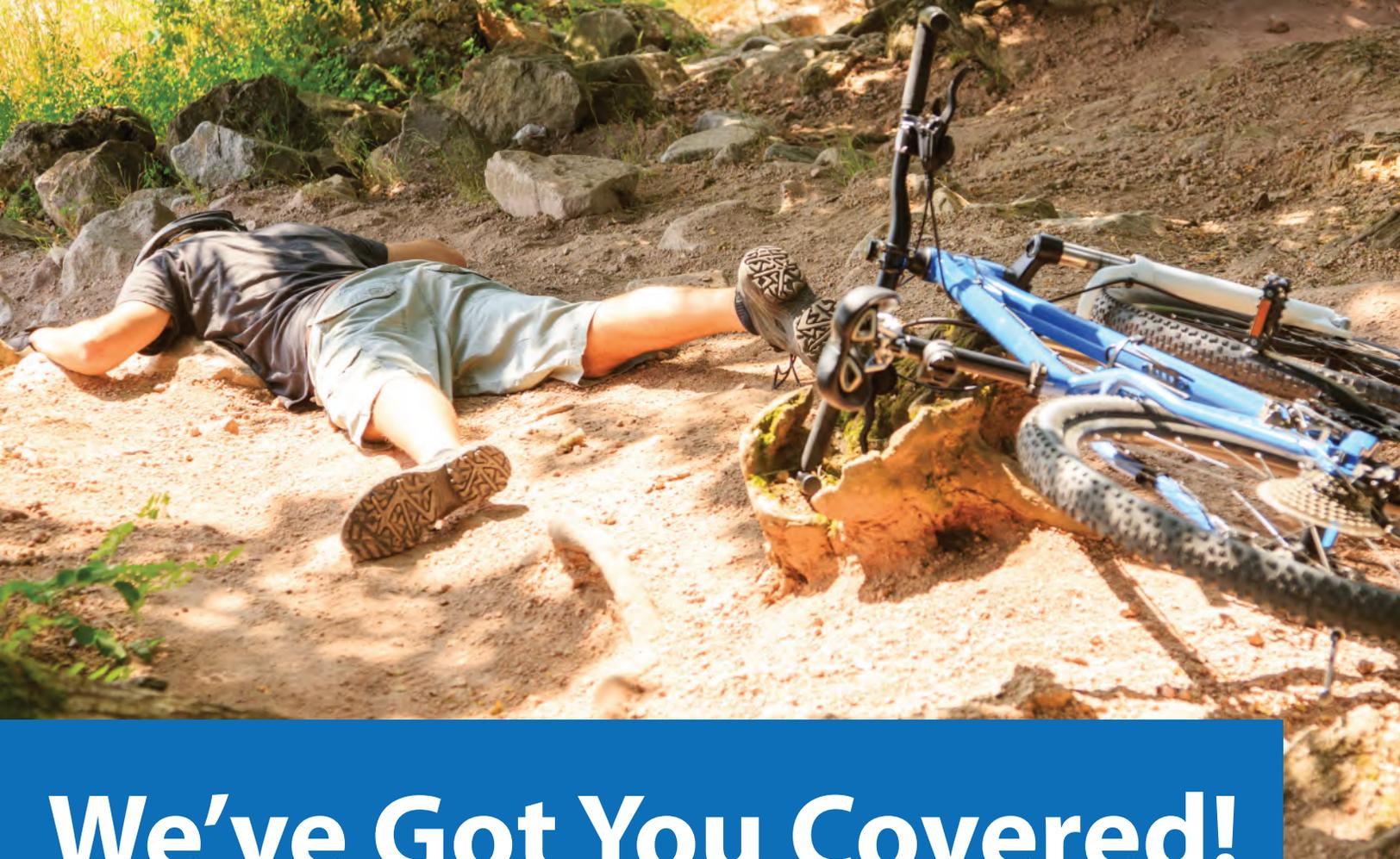
It is important that members and firms **carefully review all of the provisions** on the insurance contract to be certain that it provides you with the coverage you require. The inconsistencies among policies that we have noticed include:

1. If the limit of the liability includes defense costs it could mean that a good portion, if not all, of the insurance could be used to pay the defense costs of the claim rather than being used to pay an award to the injured party. This is not consistent with the minimum PLI requirements and would leave you exposed for any shortfall.

2. An insurance provider may decide to exclude certain high-risk clients, such as public companies, from coverage by your insurance policy. Please ensure that there are no such exclusions in your policy.
3. Some insurance providers restrict coverage for services performed prior to the inception of a policy. While this may seem reasonable on the surface, policies for PLI are written on a claims-made basis. This means that a lawsuit made today could relate to services provided six years ago, or in some cases longer. If your policy does not provide coverage for your prior acts, there will be no coverage for the claim even though you had a policy in place at the time the services were rendered. Therefore, your policy must provide full prior acts coverage.
4. Since policies are written on a claims-made basis, CPA SK requires that insurance be carried for a minimum of six years after a member dies or ceases to practice. If you are a partner in a firm, the firm usually continues to carry insurance for retired partners and former partnership throughout this six-year period. However, if a sole practitioner retires, he/she must continue to carry PLI for the six-year discovery period. Please ensure that your policy provides coverage for this entire period.
5. Many insurance providers indicate that they provide worldwide coverage; however, upon more careful review of your policy you may find that coverage is only available if the suit is brought within North America and Bermuda. Generally, if the Canadian CPA is doing work outside Canada, which is happening more frequently as CPAs work in the global marketplace, any ensuing lawsuit would be brought within the country where the services were performed.

It is your responsibility to ensure that your policy provides the coverage required for you to meet the CPA SK's mandatory insurance by-laws that have been put in place to protect the public.

Always read the fine print in your insurance contract to avoid being surprised if you ever face the unfortunate situation of having to make a claim under your policy.



# We've Got You Covered!

## Life is unpredictable,

Especially when you are having fun. Make sure you and your family are covered this summer. CPA Insurance Plans West (CPAIPW) offers a wide selection of insurance products such as term life, critical illness, disability and travel insurance. Visit our website or call us to learn more.

### Exclusive To CPAs

Our members receive the lowest rates and the largest savings, exclusive to Chartered Professional Accountants, CPA firms and students. With over 40 years of experience working exclusively with CPAs, you can rest assured that our group benefit specialists can help you find the coverage that best suits your needs.

### Competitive Rates

CPA Insurance Plans West (CPAIPW) offers preferred rates to CPAs and other cost savings programs, helping you save up to 50% compared to other insurance providers.

### Available Coverage

- › Term Life Insurance
- › Accidental Death and Dismemberment
- › Long Term Disability Insurance
- › Critical Illness
- › Travel Insurance
- › Extended Health & Dental
- › Home and Auto Insurance

## Contact Us Today!

### Office Hours:

Monday to Friday  
8:00 a.m. to 4:30 p.m.  
(Mountain Time)

### Phone:

1-800-661-6430 (Toll Free)  
1-780-998-1798 (Local)

[www.cpaipw.ca](http://www.cpaipw.ca)



## Members saved over \$3.4 million last year. Don't miss out!

For a quarterly update of new and existing offers, sign up for *CPA Savings and Offers Update* e-newsletter.

CPA Canada has negotiated great savings with several nationally recognized partners offering products and services to support you in both your professional and personal life. From technology to communications to travel, we have you covered. We will be refining and expanding our Savings and Offers programs, so stay tuned!



Save up to **15%** on Microsoft premium worry-free bundles and get help from a small business specialist when you purchase select Surface devices.



Take advantage of a **special discount** for CPA members on the purchase of a new Mercedes-Benz, Smart or AMG vehicle.



Exclusive pricing on new Hyundai vehicles. **Up to \$1,800** in price reductions on top of great retail incentive offers.



Save up to **35% off** the web price on a variety of top products and accessories. Visit the Lenovo site regularly for additional exclusive savings such as VIP sales.



Sign up and get **30% off** your *Share Everything™* plan.

For details on these, and over 30 other programs, visit  
[cpacanada.ca/savingsandoffers](http://cpacanada.ca/savingsandoffers)

**LOGIN AND ACCESS YOUR SAVINGS AND OFFERS**

